

## Message Text

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C O N F I D E N T I A L SECTION 01 OF 06 EC BRUSSELS 00836

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TAGS: PFOR, US, EEC

SUBJECT: 1976 ASSESSMENT: THE UNITED STATES AND THE EUROPEAN COMMUNIT  
Y

REFS: (A) 75 STATE 289641, (B) 75 STATE 291794

### 1. BACKGROUND

IN THIS, ITS 17TH YEAR OF EXISTENCE, THE EC HAS EXPERIENCED  
CONSIDERABLE STRESS, BUT ITS PRINCIPAL ACCOMPLISHMENTS - THE CUSTOMS  
UNION AND THE CAP - HAVE HELD TOGETHER. IN ITS EXTERNAL RELATIONS,  
PARTICULARLY WITH REGARD TO THE DEVELOPING COUNTRIES, IT HAS MANAGED  
TO PRODUCE AN INCREASINGLY COHESIVE AND AT TIMES IMAGINATIVE POLICY.

2. BUT FROM THE STANDPOINT OF INSTITUTIONAL PROGRESS TOWARD  
EUROPEAN UNITY, ONE HAS TO CONCLUDE THAT THE EC REMAINS IN A FAIRLY  
STATIC, IF NOT MORIBUND, STAGE OF DEVELOPMENT. THE PRINCIPAL BLOCK  
TO COMMUNITY DEVELOPMENT IN THE 1960'S - GAULLISM - HAS SUBSIDED, BUT  
AS IT WANED, THE OTHER MEMBER STATES' URGE TO MOVE TO A CLOSER INTEGR  
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TION COOLED. FURTHERMORE, THE MEMBER STATES HAVE BEEN RESISTANT TO  
TAKING NEW COMMUNITY INITIATIVES AIMED AT SOLVING NEW PROBLEMS,  
SUCH AS THE OIL CRISIS, AND THE SUBSEQUENT CYCLE OF INFLATION,  
RECESSION AND UNEMPLOYMENT.

3. WITHIN THE CONTEXT OF A BASICALLY STATIC SITUATION, THE  
COMMUNITY CONTINUES TO EXERT A STRONG POWER OF ATTRACTION, AS  
EVIDENCED BY THE GREEK MEMBERSHIP APPLICATION, THE DESIRE OF IRAN  
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AND CANADA FOR SPECIAL AGREEMENTS, AND THE VARIOUS SPECIAL ARRANGE-

MENTS NOW UNDER NEGOTIATION IN THE MEDITERRANEAN.

4. I. EVALUATION OF U.S. INTERESTS IN THE EC

FROM THE OUTSET WE SUPPORTED THE MOVEMENT TOWARD EUROPEAN UNITY ON THE GROUNDS THAT: 1) THE CONSTRUCTION OF "EUROPE" WOULD PROVIDE INSURANCE THROUGH INTERTWINING INTERESTS AND INSTITUTIONS AGAINST THE RECURRENCE OF WAR AMONG WESTERN EUROPEAN COUNTRIES; 2) INTEGRATION WOULD PROVIDE AN ELEMENT OF STRENGTH IN THE OVERALL RELATIONSHIP BETWEEN THE WEST AND THE SOVIET UNION; 3) AN INTEGRATED EUROPE WOULD BE A STRONGER ALLY, BETTER ABLE TO CARRY ITS SHARE OF THE DEFENSE BURDEN, AND CONTRIBUTE TO CONSTRUCTIVE SOLUTIONS TOP WORLD PROBLEMS; AND FINALLY 4) AN INTEGRATED EUROPE WOULD BE IN A RELATIVELY BETTER POSITION TO SUSTAIN ITS DEMOCRATIC INSTITUTIONS, AND SERVE AS A FACTOR FOR STABILITY IN THE WEST. THESE U.S. POLICY INTERESTS REMAIN VALID, AND "EUROPE", EVEN IN ITS PRESENT NEITHER-FISH-NOR-FOWL FORM, MAKES A MORE SUBSTANTIAL CONTRIBUTION TOWARD THESE OBJECTIVES THAN A EUROPE OF INDIVIDUAL NATION STATES.

5. WITHIN THE CONTEXT OF THIS BASIC POLICY TOWARD EUROPE, THERE ARE FOUR MAIN ROLES WHICH THE COMMUNITY PLAYS, IN WHICH U.S. INTERESTS ARE MOST DIRECTLY INVOLVED. THESE ARE:

6. A. THE BILATERAL ECONOMIC ROLE

AS AN ECONOMIC ENTITY DEALING DIRECTLY WITH US, THE COMMUNITY IS IMPORTANT IN THREE RESPECTS. OUR MOST MATERIAL INTEREST IN THE EC LIES IN THE FACT THAT IT IS THE POLICY-MAKING ORGAN OF A TRADING PARTNER WHICH ACCOUNTS FOR ABOUT A FIFTH OF OUR TOTAL TRADE. THUS THE POLICIES THE EC PURSUES IN MANAGING THE CUSTOMS UNION AND COMMON AGRICULTURAL POLICY HAVE A DRIECT EFFECT ON OUR ECONOMIC PROSPERITY AND WILL BEING. IN VIEW OF THE THREAT OF PROTECTIONISM IN TIMES OF RECESSION AND UNEMPLOYMENT, IT IS EVIDENT THAT WE AND THE COMMUNITY TOGETHER HAVE A STRONG INTEREST IN MANAGING OUR TRADE RELATIONS SO AS TO AVOID AN ESCALATION OF RESTRICTIVE ACTIONS. THE EC'S EFFORTS TO DEVELOP POLICIES TO PERFECT THE COMMON MARKET THROUGH THE HARMONIZATION OF NATIONAL LAWS GOVERNING INDUSTRIAL STANDARDS, COMPANY LAW, CORPORATE TAXATION AND GOVERNMENT PROCUREMENT CONCERN US BECAUSE OF THE POTENTIAL IMPACT ON OUR TRADE AND INVESTMENT INTERESTS IN EUROPE.

7. SECONDLY, IN ITS ROLE AS COMPETITOR, WE HAVE A STRONG  
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INTEREST IN ASSURING THAT THE POLICIES THE EC PURSUES IN ITS DEALINGS WITH THIRD COUNTRIES DO NOT DAMAGE OUR OWN TRADE INTERESTS OR FORCE US INTO AN ESCALATING COMPETITION IN TRADE DISTORTING MEASURES.

8. THIRDLY, AS AN INSTRUMENT FOR CONSULTATION AND COORDINATION OF MEMBER STATE ECONOMIC POLICIES, THE EC ENTITY, HOWEVER IMPERFECT ITS UNION MAY BE, WILL HAVE A GROWING INFLUENCE

ON OUR OWN RATES OF GROWTH AND INFLATION.

9. IN EACH OF THESE AREAS, THE NEED FOR CLOSE, CAREFUL MANAGEMENT OF OUR OVERALL RELATIONSHIP WITH THE COMMUNITY IS A MAJOR U.S. INTEREST.

10. B. THE MULTILATERAL ECONOMIC DIPLOMACY ROLE  
THE COMMUNITY SERVES EITHER AS A VEHICLE FOR MAKING OR COORDINATING POLICY OR FOR EXPRESSION OF A COMMON POINT OF VIEW OF THE MEMBER STATES ON MANY MAJOR INTERNATIONAL ECONOMIC ISSUES IN MANY FORA (E.G. GATT, IMF, CIEC, THE UN) WHICH ARE OF VITAL CONCERN TO THE U.S. IN TERMS OF OUR TRADING AND FINANCIAL INTERESTS AND IN TERMS OF THE POLICIES WE PURSUE IN THE NORTH-SOUTH DIALOGUE. EVEN WHEN THE COMMUNITY DOES NOT SPEAK WITH ONE VOICE (ON ENERGY QUESTIONS IN THE IEA AND AT TIMES ON INTERNATIONAL FINANCIAL ISSUES) THE ISSUES ARE DISCUSSED IN A COMMUNITY FRAMEWORK, AND THERE IS AT LEAST THE NUCLEUS OF A COMMUNITY VIEW. ON THESE ISSUES WE NEED TO STRIVE FOR AN EC POLICY COMPATIBLE WITH OUR OWN.

11. C. THE FOREIGN POLICY ROLE  
"POLITICAL COOPERATION" AMONG THE EC-NINE SERVES INCREASINGLY AS A MEANS FOR DEFINING COMMON APPROACHES TO CURRENT INTERNATIONAL POLITICAL ISSUES. THE NINE ARE NOW COORDINATING THEIR VOTING IN THE UN, DEVELOPING JOINT POSITIONS AT INTERNATIONAL CONFERENCES (SUCH AS WAS THE CASE AT CSCE), MAKING JOINT DEMARCHES IN AN EFFORT TO RESOLVE DISPUTES (CYPRUS), AND UTILIZING COMMUNITY LEVERAGE--AND SOMETIMES RESOURCES--TO PROMOTE COMMON OBJECTIVES IN THE MEDITERRANEAN (PORTUGAL, SPAIN). POLITICAL

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COOPERATION HAS DEVELOPED ITS OWN MOMENTUM AND IS CLEARLY HERE TO STAY. SINCE IT REPRESENTS THE COMBINED VIEWS OF THE MAJOR WESTERN EUROPEAN COUNTRIES, EC-NINE POLITICAL COOPERATION IS A FACTOR WHICH THE U.S. CANNOT IGNORE AND WHICH IN FACT CAN BE SUPPORTIVE TO U.S. POLICIES ON WORLD ISSUES.

12. D. THE REGIONAL STABILITY ROLE

DURING THE PAST YEAR THE EC-NINE HAVE GRADUALLY REFINED A COMMON APPROACH TO PROBLEMS IN THE MEDITERRANEAN'S "NORTHERN TIER," BASED ON A DESIRE TO PROMOTE STABILITY AND POLITICAL MODERATION AND USING THE JOINT INSTRUMENTS OF TRADE CONCESSIONS, FINANCIAL ASSISTANCE, AND ULTIMATELY CLOSER ASSOCIATION WITH OR MEMBERSHIP IN "EUROPE." THE EC-NINE'S APPROACH REFLECTS A GROWING SENSE OF RESPONSIBILITY, BASED ON SELF-INTERESTS, FOR DEVELOPMENTS IN THE MEDITERRANEAN. THERE IS A MAJOR U.S. INTEREST INVOLVED IN ACCEPTING AND ENCOURAGING THE SHARING OF THE MEDITERRANEAN BURDEN WITH THE NINE AND IN USING OUR INFLUENCE TO ASSURE THAT IT IS EMPLOYED CONSTRUCTIVELY.

13. II. BASIC POLICY OBJECTIVES OVER THE NEXT TWO YEARS

A. BILATERAL TRADE ISSUES:

WE WILL WANT TO ASSURE THAT THE EC REMAINS AN OPEN MARKET FOR U.S. EXPORTS AND WORK TO AVOID OR MODERATE PROTECTIONIST MEASURES. WE WILL CONTINUALLY HAVE A NUMBER OF BILATERAL ISSUES PRESSING FOR SOLUTIONS WHICH WE MUST MANAGE WITH THE COMBINATION OF FIRMNESS AND FLEXIBILITY APPROPRIATE TO THE CIRCUMSTANCES. IN THE PAST YEAR WE MADE PROGRESS IN "MANAGING" POTENTIALLY CONTENTIOUS BILATERAL ISSUES, THOUGH THE PROCESS ITSELF LEFT A NUMBER OF SCARS. CONFIDENTIAL

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THE MUTUAL ACCOMMODATIONS ON THE MAIN ISSUES AND THE TREASURY DECISIONS ON STEEL, HAM AND FLOAT GLASS DID MUCH TO PUNCTURE THE MYTH THAT THE U.S. WAS GOING PROTECTIONIST. BUT WE NEED TO CONTINUE THE CAMPAIGN TO RESIST PROTECTIONISM ON BOTH SIDES OF THE ATLANTIC.

14. B. MTNS

THE KEY TO SUCCESS IN THE MTN LIES IN A RESOLUTION OF ISSUES BETWEEN THE U.S. AND THE EC, BOTH ON PROCEDURE AND SUBSTANCE. OUR PRINCIPAL PROBLEM WILL BE TO ASSURE A SATISFACTORY OUTCOME IN THE FIELD OF AGRICULTURE. PROGRESS OVER THE PAST YEAR ON MOST ISSUES HAS BEEN VERY SLOW, IN PART BECAUSE OF PROCEDURAL DIFFICULTIES , IN PART BECAUSE OF THE WORLD ECONOMIC SITUATION, AND IN PART BECAUSE NO ONE HAS BEEN READY TO FACE THE HARD QUESTIONS OF TRADE-OFFS.

15. C. NORTH-SOUTH:

THE EC WILL BE A MAJOR PARTICIPANT IN THE NORTH-SOUTH

DIALOGUE. WE SHOULD THEREFORE SEEK TO ASSURE A COORDINATED AND COMPLEMENTARY APPROACH BETWEEN THE COMMUNITY AND THE U.S. OFTEN OUR INTERESTS WILL COINCIDE, BUT IN SOME AREAS, SUCH AS RAW MATERIALS AND FINANCING, WE WILL FIND THAT THE SPECIAL RELATIONSHIPS WHICH THE EC ALREADY HAS WITH MANY LDC'S, OR CERTAIN BASIC DIFFERENCES ON SUBSTANCE, OR THE CONSTRAINTS OF THE INTRA-EC BARGAINING PROCESS WILL MAKE IT MORE DIFFICULT TO ARRIVE AT FULLY HARMONIZED POSITIONS. DURING THE PAST YEAR WE WORKED CLOSELY WITH THE EC AND OUR APPROACHES HAVE THUS FAR BEEN MUTUALLY SUPPORTIVE. POSITIVE EXAMPLES INCLUDE CIEC, ITS PREPCONS, AND THE UNGA SPECIAL SESSION. LESS SUCCESSFUL EXAMPLES OF US-EC POLICY COORDINATION INCLUDE FAILURE OF THE EC, DUE TO FRENCH OPPOSITION, TO MAKE A CONTRIBUTION TO THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT AND US-EC DIFFERENCES IN THE NEGOTIATION OF A NEW INTERNATIONAL COCOA AGREEMENT.

16. D. ENERGY:

WE WILL WANT TO ENSURE THAT THE COMUNITY'S POLICY IS COMPLEMENTARY TO OUR OWN WITH THE FRAMEWORK OF THE IEA. WE WILL NEED TO WORK CLOSELY WITH THE EC MEMBERS IN DEVELOPING AND IMPLEMENTING THE IEA'S LONG TERM COOPERATION PROGRAM. PARTICIPATION BY THE WHOLE EC-NINE IN THIS STRATEGY WOULD PROBABLY CONFIDENTIAL

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BE OPTIMUM, BUT WITH THE CONTINUED ABSENCE OF THE FRENCH, WE WILL NEED TO ASSURE THAT THE FRENCH GO ALONG WITH THE EIGHT, OR AT LEAST PUT NO OBSTACLES IN THEIR PATH. PROGRESS IN ACHIEVING THESE OBJECTIVES IN 1975 WAS DISAPPOINTING, BUT MOMENTUM WAS PICKING UP AT THE TURN OF THE YEAR, AS EVIDENCED BY THE ROME SUMMIT AND THE IMPROVED PROSPECTS FOR EC PROGRAMS FOR OIL SHARING AND AN MSP COMPATIBLE WITH IEA ARRANGEMENTS.

17. E. EUROPEAN UNION:

WHILE EUROPEAN UNION REMAINS A VALID U.S. OBJECTIVE, WE MUST RECOGNIZE THAT IT IS MORE LIKELY TO EVOLVE AS A PROCESS, NOT AS A CONDITION DEFINABLE EITHER IN CONSTITUTIONAL TERMS OR ACHIEVABLE WITHIN A GIVEN TIME. EVEN THOUGH THERE IS NOWHERE NEAR A CONSENSUS ON WHAT A EUROPEAN UNION SHOULD LOOK LIKE OR HOW AND WHEN IT SHOULD BE ACHIEVED, "EUROPE" REMAINS A GOAL AND ASPIRATION FOR MOST EUROPEANS. OVER THE PAST YEAR WE AMPLY DOCUMENTED IN PUBLIC STATEMENTS FROM THE PRESIDENT AND THE SECRETARY OUR SUPPORT FOR EUROPEAN UNITY. WHILE THERE REMAINS A RESIDUE OF SUSPICION THAT WE DON'T MEAN WHAT WE SAY, IT IS DOUBTFUL WHETHER THERE IS MUCH MORE WE CAN OR SHOULD DO TO ERADICATE IT COMPLETELY.

18. F. FOREIGN POLICY COORDINATION:

WE SHOULD ASSUME THAT THE NINE WILL CONTINUE TO EXPAND EFFORTS TO COORDINATE THEIR FOREIGN POLICIES. OUR OBJECTIVE MUST BE TO DEEPEN AND EXPAND OUR DIALOGUE WITH THE COMMUNITY TO ASSURE THAT THE EUROPEANS PULL THEIR WEIGHT CONSTRUCTIVELY IN

SITUATIONS WHERE THEIR ACTION CAN COMPLEMENT AND SUPPORT OUR OWN OBJECTIVES AND TO HEAD OFF EUROPEAN INITIATIVES WHICH CONFLICT WITH THEM. BY AND LARGE, THE CONSULTATION PROCEDURE BETWEEN THE COMMUNITY AND THE U.S. SANCTIONED BY GYMnich HAS WORKED WELL. WE HAVE IMPROVED AND EXPANDED OUR CONTRIBUTION, BUT WE WERE FREQUENTLY TARDY IN INFORMING THE PRESIDENCY OF OUR VIEWS AND OUR INPUT SOMETIMES LACKED SUBSTANCE. ALSO, THE PERFORMANCE ON THE EUROPEAN SIDE HAS VARIED WITH THE COUNTRY IN THE PRESIDENCY.

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#### 19. G. REGIONAL STABILITY AND SECURITY

THE COMMUNITY CAN BE HELPFUL, THOUGH NOT DECISIVE, IN THE PURSUIT OF OUR COMMON OBJECTIVES FOR POLITICAL STABILITY AND SECURITY IN THE MEDITERRANEAN "SOUTHERN TIER." IN THE "NORTHERN TIER," THE COMMUNITY CAN PLAY AN EVEN MORE SUBSTANTIAL ROLE IN PROMOTING STABILITY AND PROVIDING ENCOURAGEMENT TO LIBERAL DEMOCRATIC FORCES. DURING THE PAST YEAR THE NINE TOOK ON A MORE ACTIVE ROLE IN THE NORTHERN MEDITERRANEAN AND AN EMBRYONIC POLICY, DEFINED IN THE POLITICAL COORDINATION PROCESS AND IMPLEMENTED WITH COMMUNITY RESOURCES OR FAVORS, EMERGED. IT LINKED THE GRANTING OF THESE RESOURCES WITH PROGRESS TOWARD A MORE LIBERAL AND REPRESENTATIVE SOCIETY. PORTUGAL PROVIDES THE BEST EXAMPLE OF THE EMERGING INVOLVEMENT OF THE EC IN THE MEDITERRANEAN AND ITS POTENTIAL FOR CONSTRUCTIVE ACTION.

#### 20. III. IDENTIFICATION OF FUTURE TRENDS AND RECOMMENDATIONS

IN PRESENTING HIS REPORT ON EUROPEAN UNION, TINDEMANS RECOGNIZED THAT THE "CREATION OF LEGAL STRUCTURES AND DECLARATIONS OF INTENT" CANNOT OVERCOME THE SKEPTICISM OF EUROPEAN PUBLIC OPINION, WHICH BELIEVES THAT CURRENT POLITICAL LEADERSHIP LACKS

THE WILL TO ACHIEVE EUROPEAN UNION. RATHER THAN ADVOCATING THE CREATION OF NEW LEGAL STRUCTURES, HE CHOSE TO LAY OUT A SERIES OF PRACTICAL STPES WHICH WOULD MOVE THE NINE TOWARD THE GOAL, WITHOUT NECESSARILY DEFINING WHEN IT WOULD OR COULD BE REACHED.

"EUROPEAN UNION", HE OBSERVED, "WILL BE ACHIEVED THROUGH AN ONGOING PROCESS" NOT THROUGH NEW STRUCTURAL BLUEPRINTS.

21. WE AGREE. BUILDING "EUROPE" IS NOT AN EXERCISE IN  
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ARCHITECTURE (AS MANY ONCE THOUGHT OR HOPED). IT IS RATHER AN ONGOING POLITICAL PROCESS, SHAPED BY THE INTERPLAY OF ALL THE FORCES INVOLVED: COMMUNITY INSTITUTIONS, POLITICAL COMMITMENT AND LEADERSHIP AT BOTH NATIONAL AND COMMUNITY LEVELS; PUBLIC OPINION, AND THE PRESSURE OF EVENTS AND "CRISES." THUS, WHILE THE OBJECTIVE REMAINS, THE MEANS OF GETTING THERE HAVE CHANGED. THE CRITICAL QUESTION FOR U.S. POLICY IS WHETHER THIS NEW CONCEPT OF EUROPEAN UNIFICATION CAN STILL SERVE U.S. INTERESTS. WE BELIEVE IT CAN IF WE MAKE GOOD USE OF BOTH COMMUNITY AND NATIONAL INSTITUTIONS IN WAYS WHICH SUPPORT THE OVERALL GOAL OF UNITY AND AT THE SAME TIME PROMOTE OTHER AND MORE SPECIFIC U.S. INTERESTS. IT IS TO THE ACHIEVEMENT OF THESE TWO PURPOSES THAT THE ENSUING RECOMMENDATIONS ARE ADDRESSED.

22. A. TRAND TOWARD UNITY

THE TINDEMANS REPORT FRANKLY ACKNOWLEDGES THAT THE ADVANCE TOWARD EUROPE IN TERMS OF ECONOMIC AND POLITICAL INTEGRATION HAS BEEN STALLED FOR SOME TIME. AS A GOOD EUROPEAN FACED WITH THE TASK OF DEFINING CREDIBLE MEANS FOR MOVING "EUROPE" OUT OF ITS PRESENT STAGNATION, TINDEMANS AVOIDS IDEALISM AND CONCENTRATES ON CERTAIN "QUALITATIVE CHANGES" WHICH HE DEFINES IN TERMS OF NEW COMMON POLICIES AND THE REINVIGORATION OF EXISTING COMMUNITY INSTITUTIONS. HIS REPORT IS A REALISTIC DOCUMENT WHICH FOCUSSES ON THE PRESENT "GROWTH AREAS" IN THE COMMUNITY SYSTEM (POLITICAL COOPERATION, THE PARLIAMENT, AND THE EUROPEAN COUNCIL), WITH A STRONG PLEA FOR THE COMMUNITY INSTITUTIONS TO USE MORE EFFECTIVELY THE PREROGATIVES THEY ALREADY POSSESS.

23. THE MEMBER STATES, WHOSE INTITIAL REACTIONS FOLLOWED THE PATTERN OF THEIR KNOWN POSITIONS ON EUROPEAN INTEGRATION, WILL HAVE TO COME TO GRIPS IN SOME WAY WITH TINDEMANS' PROPOSALS INITIALLY AT THE APRIL EUROPEAN COUNCIL MEETING IN LUXEMBOURG. HOWEVER THEY MANAGE THIS TASK, THE PRINCIPAL NEAR TERM INSTITUTIONAL DEVELOPMENT REMAINS THE DIRECT ELECTION OF THE EUROPEAN PARLIAMENT IN 1978, WHICH IN THE LIGHT OF THE DECEMBER EUROPEAN COUNCIL MEETING SEEMS CLEARLY ON THE TRACK. THIS EVENT IN ITSELF IS NOT LIKELY TO ADVANCE EUROPEAN UNITY VERY FAR, BUT AT LEAST IT HAS THE POTENTIAL FOR POPULARIZING THE EUROPEAN CAUSE, PROVIDING A FORUM FOR EUROPEAN INITIATIVES, AND POSSIBLY SPAWNING A NEW GENERATION OF EUROPEAN LEADERS.

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24. RECOMMENDATION:

WE SHOULD RECOGNIZE THAT EVEN A LIMITED DEGREE OF INTEGRATION CAN SERVE U.S. POLICY OBJECTIVES IF WE UNDERSTAND ITS CONSTRAINTS AND USE ITS INSTITUTIONAL INSTRUMENTS AND AMBIGUITIES WISELY. BEARING IN MIND THE EUROPEANS' BASIC ASPIRATIONS FOR UNITY, WE SHOULD CONTINUE TO RESPECT AND GIVE PUBLIC SUPPORT TO THE GOAL - WHILE AT THE SAME TIME AVOIDING BOTH PATERNALISM AND ACTIONS WHICH MIGHT IMPEDE THEIR EFFORTS IN ACHIEVING IT.

25. B. TRENDS IN THE PRESENT INSTITUTIONAL FRAMEWORK:

1) THE EUROPEANS WILL PUT INCREASING RELIANCE ON FORMAL OR INFORMAL INTER-GOVERNMENTAL CONSULTATIONS, I.E. A MORE PRAGMATIC SYSTEM FOR MANAGING RELATIONS INVOLVING BOTH NATIONAL AND COMMUNITY INTERESTS (THE EUROPEAN COUNCIL IS AN EXAMPLE). THIS MAY DO SOME VIOLENCE TO THE PURITY OF THE ROME TREATY STRUCTURE, BUT IF IT KEEPS THE NINE TOGETHER AND DEVELOPS A GREATER DEGREE OF CONFIDENCE IN A COORDINATED APPROACH TOWARD PROMOTING MUTUAL INTERESTS, THEN PERHAPS A BROADER BASIS FOR POLITICAL UNION WILL HAVE BEEN LAID, ON WHICH FURTHER INSTITUTION-BUILDING CAN PROCEED AT A LATER TIME.

26. 2) THE COMMISSION:

THE TENDENCY HAS BEEN TO OPERATE ON A COLLEGIAL BASIS FOR THE MOST PART, WITH SOME COMMISSIONERS MORE ADEPT THAN OTHERS AT FORMING SHIFTING, AD HOC ALLIANCES TO ACHIEVE THEIR OBJECTIVES. ON BALANCE, THIS COMMISSION TENDS TO BE PRAGMATIC IN DEALING WITH DISPUTES ARISING AMONG MEMBER STATES OVER INTERNAL COMMUNITY MATTERS RATHER THAN FORCING STRICT APPLICATION TO COMMUNITY LAW (AS MANY IN THE COMMISSION BUREAUCRACY WOULD PREFER). AT THE SAME TIME, IT TENDS TO BE SOMEWHAT VISIONARY AND LESS REALISTIC WHEN PROPOSING NEW INITIATIVES. MAY CRITICIZE THE COMMISSION FOR NOT ASSERTING LEADERSHIP AS "IN THE GOOD OLD DAYS," BUT IT SEEMS DOUBTFUL THAT PRESENT DAY ATTITUDES AMONG THE MEMBER STATES WOULD PERMIT INCREASED ACTIVISM. SELECTION OF A NEW COMMISSION AT THE END OF 1976 WILL PROVIDE FURTHER INDICATION OF WHETHER THIS TREND WILL CONTINUE. TINDEMANS HAS PROPOSED THE STRENGTHENING

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OF THE COMMISSION SO AS TO MAKE IT MORE EFFICIENT AND EFFECTIVE. MOST NOTABLY, HE PROPOSES GIVING THE COMMISSION PRESIDENT POWER TO APPOINT THE OTHER COMMISSION MEMBERS SUBJECT TO MEMBER STATE APPROVAL. (THIS PROPOSAL WILL NOT AFFECT THE SELECTION OF THE COMMISSION ENTERING IN 1977 AS IT WOULD TAKE SOME TIME TO SECURE APPROVAL OF THE NECESSARY TREATY CHANGES.) IN OUR VIEW, DESPITE TINDEMANS' PROPOSALS, WE DOUBT THAT THE COMMISSION WILL, AT LEAST OVER THE NEAR TERM, BE ABLE TO INCREASE SIGNIFICANTLY ITS INFLUENCE.

27. 3) THE COUNCILS:

THOUGH MOST OF THE APPARENT COMMUNITY ACTIVITY GOES ON IN BRUSSELS, THE POLITICAL INTERPLAY AMONG MEMBER STATES REMAINS THE DOMINANT FACT OF COMMUNITY LIFE, WHETHER AT MINISTERIAL MEETINGS OF THE COUNCIL, OR, INCREASINGLY, AT THE HEADS OF GOVERNMENT LEVEL IN THE EUROPEAN COUNCIL. IN FACT, THE SEARCH FOR EQUILIBRIUM BETWEEN THE COMMUNITY INSTITUTIONS AND THE MEMBER GOVERNMENTS REACHED A COMPROMISE WITH THE BIRTH OF THE EUROPEAN COUNCIL. A SUPER "COUNCIL" AND THUS CONSISTENT WITH THE TREATY FRAMEWORK, IT FUNCTIONS AT THE SAME TIME AS A VEHICLE FOR LESS STRUCTURED CONSULTATIONS AMONG THE NINE HEADS OF GOVERNMENT.

28. RECOMMENDATION:

IN THE MAJOR INITIATIVES WE PROPOSE INVOLVING PARTICIPATION OF THE KEY EUROPEAN STATES, WE SHOULD  
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BEAR IN MIND THAT THE COMMUNITY AND ITS INSTITUTIONS CAN BE IMPORTANT ASSETS IN AN EFFECTIVE EUROPEAN STRATEGY. INDEED, FAILURE TO RECOGNIZE THE PROPER

ROLE FOR THOSE INSTITUTIONS CAN DELAY OR COMPLICATE EXECUTION OF OUR INITIATIVES, OR GIVE OTHERS AN EXCUSE

TO BACK OFF. (THE WASHINGTON ENERGY CONFERENCE, AND THE NORTH-SOUTH DIALOGUE, IN WHICH EITHER ALL EC STATES PARTICIPATED, OR ARE REPRESENTED AS ONE, ARE CASES IN POINT OF THE RIGHT WAY TO USE THE EUROPEAN SYSTEM). THERE IS NO SIMPLE FORMULA FOR ECERY SITUATION THAT WILL ARISE. THEREFORE, IN DECIDING WHETHER WE SHOULD DEAL WITH COMMUNITY INSTITUTIONS OR THE MEMBER STATES OR BOTH, WE SHOULD, TO THE EXTENT FEASIBLE, RESPECT COMMUNITY COMPETENCE WHERE IT EXISTS, IN RECOGNITION OF THE FACT THAT REPEATED FAILURE TO DO SO RUNS THE RISK OF REINFORCING CENTRIPETAL TENDENCIES IN THE COMMUNITY AND FRUSTRATION OF OUR MORE IMMEDIATE OBJECTIVES AS WELL.

29. C. TRENDS: OUTLOOK FOR FUTURE EXPANSION:  
THE POWER OF ATTRACTION OF THE COMMUNITY IS SUBSTANTIAL, AND ITS PULL IN THE MEDITERRANEAN AREA IS GROWING. WHILE THE EC IS NOW CONCENTRATING ON GREECE'S APPLICATION FOR MEMBERSHIP, IT MAY SOONER THAT IT EVER EXPECTED BE FORCED TO DEAL WITH SPAIN'S APPLICATION; PORTUGAL AND TURKEY MAY ALSO JOIN THE QUEUE LATER ON. COMMUNITY EXPANSION IN THE MEDITERRANEAN RAISES A NUMBER OF FUNDAMENTAL QUESTIONS ABOUT THE FUTURE NATURE OF THE COMMUNITY. HAVING POSED "PLURALISM" AND "DEMOCRACY" AS CONDITIONS FOR CLOSER ASSOCIATION WITH THE COMMUNITY, THE COMMUNITY WOULD HAVE FULFILLED A CONSIDERABLE ROLE IF IT COULD REINFORCE TENDENCIES TOWARD DEMOCRACY AND POLITICAL STABILITY IN THE MEDITERRANEAN COUNTRIES. THE OTHER SIDE OF THE COIN A COMMUNITY OF 10-13 GIVES SERIOUS PAUSE TO THOSE WHO SEEK A HOMOGENOUS EC MOVING INEVITABLY, IF SLOWLY, TOWARD FEDERAL POLITICAL UNION. A COMMUNITY INCLUDING AN INCREASED MEDITERRANEAN MEMBERSHIP WOULD BRING TOGETHER COUNTRIES WITH DISPARATE ECONOMIC, POLITICAL AND CULTURAL BACKGROUND-AND WOULD IMMENSELY COMPLICATE

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CATE THE TASK OF DEVELOPING OR EVEN MAINTAINING A COHESIVE COMMUNITY, NOT TO SPEAK OF MOVING ON TOWARD A MORE INTEGRATED UNION. MOVEOVER, THERE IS CONSIDERABLE CONCERN THAT AN EC INCLUDING MEDITERRANEAN STATES WOULD BECOME AN INSTITUTION WHOSE PRINCIPAL PREOCCUPATION WOULD BE EXTENDING DEVELOPMENT AND REGIONAL AIDS TO ITS POORER MEMBERS. AN EXPANDED COMMUNITY COULD ALSO LEND WEIGHT TO THE PROPOSAL MADE BY FORMER FRG CHANCELLOR BRNADT AND SECONDED BY TINDEMANS FOR A "TOW-TIER" OR "TWO-SPEED" CONCEPT OF COMMUNITY MEMBERSHIP-ONE FOR THE MORE ADVANCED EC MEMBERS, AND THE OTHER FOR THE LESS DEVELOPED, MAINLY SOUTHERNERS. ALTHOUGH IT IS DIFFICULT TO FORESEE ANYTHING OF THIS TYPE

BEING FORMALIZED, IT IS POSSIBLE THAT AN EXPANDED COMMUNITY, IN THE ABSENCE OF ANY PERCEPTIBLE INSTITUTIONAL MOVEMENT TOWARD EUROPEAN UNION, COULD RESULT IN A DE FACTO DIRECTORIE OF FRANCE AND THE FRG (WITH THE POSSIBLE COMPANY OF THE U.K. SHOULD IT BE ABLE TO TURN AROUND ITS CURRENT SLIDE TOWARD SECOND-CLASS STATUS) WHICH WOULD INCREASINGLY DOMINATE COMMUNITY LIFE.

30. RECOMMENDATION:

WE CAN PERCEIVE SOME POTENTIAL DISADVANTAGES IN THE ENLARGEMENT OF THE COMMUNITY IN THE MEDITERRANEAN AREA, IN TERM OF THE LOSS OF EC COHESION AND A "DRAG EFFECT" ON FURTHER INTEGRATION. THERE WILL ALSO BE SOME TRADE EFFECTS WHICH WILL REQUIRE CLOSE MONITORING ON OUR PART AND WE MAY EVENTUALLY NEED TO SEEK COMPENSATORY ADJUSTMENTS. ON BALANCE, HOWEVER, WE FEEL THAT THE PROSPECTS FOR INCREASED POLITICAL STABILITY IN THE MEDITERRANEAN ARE LIKELY TO BE ENHANCED BY EC ENLARGEMENT AND THAT ON THESE GROUNDS ALONE OUR DISCREET SUPPORT OF THIS TREND IS MERITED.

31. D. TRENDS IN POLITICAL COOPERATION:

THE NINE HAVE PERCEIVED THE EFFECTIVENESS OF POLITICAL COOPERATION, FIND THE PROCESS CONGENIAL AND

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INFO OCT-01 ISO-00 SS-15 SP-02 MMO-01 PER-01 CU-02 /034 W

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R 271013Z JAN 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 390

INFO ALL EC CAPITALS

USMISSION NATO BRUSSELS

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RELATIVELY COSTLESS EITHER FINANCIALLY OR IN TERMS OF SOVEREIGNTY AND, IN THE ABSENCE OF INSTITUTIONAL GROWTH, SEE IT AS A TOKEN OF "EUROPEAN PROGRESS." IN GENERAL, THEIR APPROACHES HAVE BEEN CONSISTENT WITH, OR

SUPPORTIVE OF U.S. POLICIES. HOWEVER, THERE ARE SOME AREAS WHICH COULD EVENTUALLY CAUSE US PROBLEMS: THE MIDDLE EAST, WHERE THERE MAY BE A CONTINUED INTEREST AMONG SOME OF THE MEMBER STATES IN TINKERING WITH THE NINE'S 1973 DECLARATION, AND WHERE THE EURO-ARAB DIALOGUE CONTINUES TO POSE THE RISK OF POLITICIZATION; AND THE COMPLEX OF DEFENSE AND MBFR-RELATED ISSUES. THUS FAR SPORADIC DISCUSSIONS ON MBFR HAVE POSED NO PARTICULAR PROBLEM, BUT IF CONCERN ABOUT ALLIANCE SECURITY AND DEFENSE POSITURE, INCLUDING POSSIBLE U.S. TROOP WITHDRAWALS FROM EUROPE, SHOULD BECOME ACUTE, IT IS LIKELY THE NINE WILL GIVE INCREASING ATTENTION TO DEFENSE ISSUES.

32. RECOMMENDATIONS:

THE PRINCIPLE OF CONSULTATIONS WITH THE EC-NINE ON FOREIGN POLICY QUESTIONS IS NOW ESTABLISHED. THE TASK FOR THE COMING YEAR OR TWO WILL BE TO IMPROVE THE CONTRIBUTION OF BOTH SIDES TO THE PROCESS SO THAT WE CAN DERIVE MAXIMUM BENEFITS AND FULLY EXPLOIT THESE CHANNELS. TO THIS END, WE SHOULD:

1) PROVIDE MORE TIMELY AND SUBSTANTIVE GUIDANCE FOR CONSULTATIONS WITH THE EC NINE PRESIDENCY AND THE COMMISSION (WHERE RELEVANT).  
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2) MAKE OUR REQUESTS FOR THEIR COOPERATION MORE EXPLICIT AND GIVE ADEQUATE AND CANDID SUPPORTING RATIONALS.

3) REVIVE THE IDEA OF A "REINFORCED" POLITICAL CONSULTATION BETWEEN THE EC POLITICAL DIRECTORS AND EQUIVALENT U.S. OFFICIALS AS PROPOSED IN EC BRUSSELS 101.

4) ALSO AS WE PREVIOUSLY RECOMMENDED, EXPAND BILATERAL CONTACTS BETWEEN U.S. AND COMMISSION OFFICIALS INTO THOSE AREAS (E.G., UNGA AND NORTH-SOUTH DIALOGUE MATTERS) IN WHICH THE COMMISSION IS BEGINNING TO PLAY A GREATER ROLE AS COORDINATOR AND/OR SPOKESMAN FOR THE NINE.

5) CONTINUE TO INVITE THE EC PRESIDENCY FOREIGN MINISTER TO WASHINGTON AT THE OUTSET OF HIS SIX MONTH TEGV FOR A BROAD REVIEW OF ISSUES.

6) PRESS THE NINE TO BE FORTHCOMING ON ALL ISSUES UNDER CONSIDERATION IN ORDER TO FORESTALL, IF NECESSARY, POTENTIALLY UNHELPFUL INITIATIVES.

33. E. ECONOMIC TRENDS:

THERE ARE PROSPECTS FOR MODERATE ECONOMIC RECOVERY DURING 1976 IN MOST BUT NOT ALL EC MEMBER STATES BUT THE EC STILL LAGS BEHIND THE U.S. THE

CURRENT ECONOMIC MALAISE, AND THE CONTINUED DIVERGENCE BETWEEN MEMBER STATES IN GROWTH AND CONTROL OF INFLATION, ARE ADDING TO THE FORCES WHICH SLOW DOWN COMMUNITY PROGRESS TOWARD INTERNAL INTEGRATION, FURTHER POSTPONING MOVEMENT TOWARDS ECONOMIC AND MONETARY UNION. THE U.K. AND IRELAND-OR ITALY- ARE ILL-PREPARED TO ACCEPT A FIXED EXCHANGE RATE RELATIONSHIP WITH THE OTHER MEMBER STATES. INDEED, THERE IS EVEN A PROBLEM OF PRESERVING A FREE INTERNAL MARKET IN INDUSTRIAL PRODUCTS (THE U.K. IMPORT RESTRICTIONS).

34. THE SAME SITUATION IS REDUCING THE ALREADY TEPID ENTHUSIASM OF SOME MEMBER STATES FOR TRADE LIBERALIZATION IN THE MTN'S. THERE SEEMS TO BE SOME DRIFT TOWARD THE FRENCH POSITION OF SEEKING ONLY A SMALL PACKAGE OF TRADE LIBERALIZING ACTIONS AND USING THE MTN'S MAINLY TO VOID PROTECTIONISM BY OTHERS.  
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35. EUROPE WILL CONTINUE TO BE SENSITIVE ABOUT U.S. ACTIONS AFFECTING EC EXPORTS AND THEREFORE ECONOMIC RECOVERY. WHILE THE STRAINS HAVE RECENTLY BEEN LESSENED, THE COMMUNITY IS LIKELY TO CONTINUE TO REACT STRONGLY TO ANY SIGNS OF U.S. IMPORT RESTRICTIONS (ESPECIALLY STEEL).

36. RECOMMENDATIONS:

1) OVER THE NEXT YEAR, THE MULTILATERAL TRADE NEGOTIATIONS ARE LIKELY TO BE CENTRAL IN OUR ECONOMIC RELATIONS WITH THE COMMUNITY. MANAGEMENT WILL BE NECESSARY TO AVOID DAMAGING CONFRONTATIONS, VIZ EVIDENCE OF PROGRESS, YET NOT ARRIVE AT DEFINITE CONCLUSIONS UNTIL THE ECONOMIC CLIMATE HAS IMPROVED. THE EXPERIENCE OF THE LAST YEAR IN GENEVA HAS BEEN UNSATISFACTORY. MANY IMPORTANT PARTICIPANTS BELIEVE PART OF THE PROBLEM IS THE FORMAT: 75#3 :3- 3)3 497,\$ 9\* .3358,& 285# 9;34 \*8\*56 ,-.589, 43043 3,53\$. BILATERAL DISCUSSIONS THAT BEGAN BETWEEN THE COMMISSION AND THE U.S. ON JANUARY 22 SEEM TO BE A PROMISING WAY TO DEAL WITH THIS PROBLEM AND TO REDUCE THE NUMBER OF FORMAL MEETINGS THAT BRING THE RISK OF CONFRONTATION.

2) THERE IS ONE AREA IN THE EEC WHICH DESERVES SPECIAL MENTION BECAUSE OF ITS TIMING AND SIGNIFICANCE. THE COMMUNITY CONSIDERS EXPORT SUBSIDIES TO BE AN INTEGRAL PART OF ITS COMMON AGRICULTURAL POLICY AND HAS SO FAR REFUSED TO NEGOTIATE THEM. WE HAVE ALREADY DETERMINED THAT A NUMBER OF THESE SUBSIDIES ARE COUNTER-VAIABLE (HAM, CHEESE) BUT HAVE EXERCISED THE WAIVER IN THE TRADE ACT. THE WAIVER EXPIRES ON JANUARY 4, 1979

WHEREAS THE GENERAL AUTHORITY TO NEGOTIATE EXPIRES ONE YEAR LATER. WE SHOULD MOVE AS QUKCLY AS NECESSARY TO GET A SATISFACTORY SUBSIDIES/CVD CODE TO PROPOSE TO CONGRESS NOT LATER THAN EARLY 1978. (INCLUDING THE BORDER TAX ADJUSTMENT ISSUE IN THIS CONTEXT WOULD

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INFO OCT-01 ISO-00 SS-15 SP-02 MMO-01 PER-01 CU-02 /034 W  
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TO SECSTATE WASHDC 391  
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CLEARLY OVERCHARGE THE ATMOSPHERE AND MAKE CONCLUSION OF SUCH A CODE VIRTUALLY IMPOSSIBLE).

3) AS THE NEGOTIATIONS DO GET DOWN TO BUSINESS, WE MUST EDGE THE COMMUNITY TOWARD POSITIONS MORE COMPATIBLE WITH OUR OWN. AS INT THE XXIV:6 NEGOTIATIONS, WE WILL HAVE TO "LOBBY" WITHIN THE COMMUNITY AS WELL AS NEGOTIATE WITH THE COMMISSION. PROSPECTS FOR SUCH LOBBYING, HOWEVER, ARE WORSE THAN BEFORE, WITH BRITAIN'S FADING ENTHUSIASM FOR TRADE LIBERALIZATION AND OTHERS PREOCCUPIED WITH CONTINUING RECESSION. NEVERTHELESS, WE MUST MAKE EFFECTIVE USE OF THIS DEVICE, BUT SPARINGLY AND ONLY AT THE TACTICALLY RIGHT MOMENT. THE KEY GOAL OF THIS PROCESS IS TO GET THE MEMBER STATES READY FOR A CHANGE IN THE EC MANDATE.

4) OUTSIDE THE NEGOTIATIONS, BUT CONDITIONING THEIR SUCCESS, ARE THE BILATERAL TRADE RELATIONS BETWEEN THE U.S. AND THE EC. A REMARKABLE DEGREE OF COOPERATION HAS DEVELOPED IN THE ONCE ACRIMONIOUS AGRICULTURAL FIELD AS A RESULT OF PERSONAL CONTACT BETWEEN SECRETARY BUTZ AND COMMISSIONER LARDINOIS. WHILE THIS SPECIAL RELATIONSHIP SHOULD BE MAINTAINED, WE MUST BE PARTICULARLY CAREFUL THAT SUCH INFORMAL MEETINGS NOT LEAD TO MISUNDERSTANDINGS ABOUT SUBSEQUENT ACTIONS EACH

OTHER TAKES. WE MUST ALSO SEEK TO AVOID A RECRUDESCENCE OF THE LATE 1975 EC FEARS STEEMING FROM THE SIMULTANEOUS BEGINNINGS OF INVESTIGATIONS OF STEEL AND AUTOMOBILE IMPORTS INTO THE U.S. WHILE THE U.S. GOVERNMENT CANNOT PREVENT INDUSTRIES FROM FILING PETITION.

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TIONS, CONSTANT EFFORTS MUST BE MADE BY THE U.S. ADMINISTRATION TO ALLAY THE FEARS OF EUROPEAN LEADERS AS TO THE ADMINISTRATION'S OWN INTENTIONS. THIS WILL CERTAINLY REQUIRE PERSONAL CONTACTS AT A HIGH LEVEL.

5) THE RELATIVE SUCCESS IN LIMITING THE SCOPE OF THE U.K. MEASURES, AND THE CONSTANT DANGER OF EC RESTRICTIVE ACTIONS IN THE AGRICULTURAL FIELD (E.G. SKIMMED MILK MIXING REGULATIONS) SHOW THE NEED FOR RAPID U.S. RESPONSES. THESE RESPONSES WILL BE OF MAXIMUM EFFECT WHEN THEY ARE CONCENTRATED ON THE CRUCIAL ISSUES AND WHEN THEY MAKE GOOD TACTICAL USE OF OUR COMMUNICATIONS LINKS WITH THE COMMISSION AND THE MEMBER STATES.

6) WE WILL NEED TO EXERT OUR INFLUENCE, THROUGH CLOSE CONSULTATION, ON THE FORMATION OF EC POSITIONS IN THE NORTH-SOUTH DIALOGUE, PARTICULARLY AT UNCTAD AND THE CIEC. THERE WILL BE TEMPTATIONS BOTH FOR THE U.S. AND THE EC TO ADOPT DIFFERING POSITIONS ON MANY OF THE ISSUES. EARLY EXCHANGE OF IDEAS ON PROPOSALS, MAKING FLEXIBLE USE OF BILATERAL AND MULTILATERAL CHANNELS, IS ESSENTIAL TO AVOID INCONSISTENT APPROACHES BY THE DEVELOPED COUNTRIES AND ASSURE TIMELY APPLICATION OF US INFLUENCE IN THE INTRA-EC PROCESS.

37. AMBASSADOR GREENWALD APPROVED THIS MESSAGE BEFORE HIS DEPARTURE. MORRIS

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